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Services Division

Committee on China

Committee Minutes - 175th Meeting - 5 August 1958 25X1A9a

D/S Representatives: [redacted]

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Guests: [redacted]

1. The Chinese Communists have just announced that in June they signed an agreement with the Schneider group in France for the purchase of 25 electric locomotives. The locomotives are to be delivered in groups before October 1960 and the total cost is 3.76 million pounds sterling. Chinese payment is to be in the form of barter.

COMMENT: Actual delivery of the locomotives is not expected before sometime in 1959. The first section of line to be electrified is being prepared now with completion scheduled by the end of 1959. Originally 580 km of lines were to be electrified during the Second Five Year Plan (1958-62). This goal has been reported raised to as much as 1,200 km. This first order for locomotives will be approximately enough to meet the requirements of the 90-km section of line to be electrified first. Availability of other imported electric locomotives will probably ultimately determine how much electrification will be done and the speed at which it will be carried out, for China does not currently have a known capability for building road freight electric locomotives.

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2. The Chinese Communists now claim a winter wheat harvest of 34.45 million tons (64% increase over last year). The spring wheat harvest is expected to yield a further 7 million tons and a preliminary estimate of the early rice crop is 40 million tons, or double last year.

COMMENT: If these estimates are reliable, the Chinese grain production is about 26 million tons up on the figure at the same stage last year. These claims are certainly startling and hard to accept, but they cannot be rejected out of hand as impossible, particularly as the claimed average yields are not remarkable by world standards and in view of the effort put into agriculture this season. Even allowing for overstatement, these results indicate that, given just an average fall harvest, the grain supply should not be a brake on general economic progress for at least a

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year. It may even prove possible to accumulate stock piles sufficient to provide firm bases for economic expansion for the next two years.

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3. On 3 August 1958 Communist China reported that the first half of its "leap forward" program for 1958 had brought "unprecedentedly rapid, all-round economic development." It was reported that the value of industrial output had increased by 24 percent compared with the first half of 1957. This rate of increase surpassed that of any previous year in the history of China, according to the Communists. Individual sectors of the economy accounted for the following percentage increases: electric power, 30 percent; coal, 16 percent; crude oil, 32 percent; pig iron, 33 percent; steel, 26 percent; and machine tools, nearly 100 percent. It was also noted that the increase in the production of summer food crops, early rice, and spring wheat had amounted to 42 million tons. The volume of freight (tons originated) handled by modern means of transportation during this period increased by 26 percent, while freight mileage (ton-kilometers) increased by 18 percent, compared with the same period of 1957.

COMMENT: Announcements received concerning the period prior to June 1958 indicate that the performance of railroad transportation, on a monthly basis at least, was generally keeping pace with the increase in industrial production. It thus seems likely that the State Plan for a 13 percent increase in railroad tons originated during 1958 will be surpassed and the "leap forward" goal of a 20 percent increase probably achieved. Evaluation of progress in other sectors is quite difficult since it has not been indicated whether ministry or national totals are involved. In some cases, however, the progress seems to be in keeping with the original goals but not with the "leap forward" goals.

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4. There is continued interest in the decentralization program in China. A/F would like to be notified of any information analysts turn up that A/F might not have seen.

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Agenda: The next meeting will be on 19 August at 1400 in Room 1121 M. Current items will be the topic of discussion.

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